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Government  
Publications

Canada  
Statistics  
Operating results of  
miscellaneous retail chains.  
1947-51.







63-D-41

MERCHANDISING FILE 'C'

Published by Authority of the Rt. Hon. C. D. Howe, M.P.,  
Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**  
**MERCHANDISING AND SERVICES SECTION**  
**OTTAWA, CANADA**

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BUSINESS ADMINISTRATION  
READING ROOM

**OPERATING RESULTS**  
**OF**  
**MISCELLANEOUS**  
**RETAIL CHAINS**  
**1947**



Price 25 cents

January 1949








**OPERATING RESULTS  
OF MISCELLANEOUS  
RETAIL CHAINS  
1947**

**VARIETY CHAINS**

**DRUG CHAINS**

**FURNITURE CHAINS**



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# FACSIMILE OF THE SCHEDULE .....

CONFIDENTIAL

One copy of this form, properly completed, should be returned on or before .....

File no. ....



## DOMINION BUREAU OF STATISTICS MERCHANDISING AND SERVICES OTTAWA

### OPERATING COSTS - RETAIL CHAINS 1947

The returns from this inquiry will be used in the preparation of a report which will be published for general use of the trade, providing information on average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to your fiscal year conforming most closely to the calendar year. PLEASE answer all questions, inserting 'nil' if the answer is none.

#### I. DESCRIPTION OF BUSINESS

- (1) Name of firm .....
- (2) Head office address .....
- (3) Kind of business .....  
(such as grocery, meats, variety, men's- women's clothing, drugs, etc.)
- (4) On the following dates the number of units in operation was:  
(a) Jan. 1, 1947 ..... (b) June 30, 1947 ..... (c) Dec. 31, 1947 .....
- (5) We operated in rented premises ☐, owned premises ☐, some rented and some owned ☐.  
(check only one square)  
The number of owned and rented premises in each type of establishment was:-  

	Head office	Warehouse(s)	Stores
Owned	.....	.....	.....
Rented	.....	.....	.....
- (6) This report does not include any wholesale business ☐, includes wholesale ☐ to the extent of .....% . (Insert estimated percentage)
- (7) This business is a corporation ☐, partnership ☐, individual proprietorship ☐.

#### II. PROFIT AND LOSS STATEMENT, 1947:

##### MERCHANDISING STATEMENT

A.

- (1) Gross sales for the year. Include meals sold or consumed, receipts from repair or other service, goods taken for personal use. Exclude sales tax and non-trading revenues. ....
- (2) Returns from and allowances to customers .....
- (3) NET SALES (item 1 minus 2) .....
- (4) NET INVENTORY OF MERCHANDISE at beginning of year:  

In warehouse	.....	\$	.....
In stores	.....	\$	.....
- (5) Merchandise purchased for resale at invoice value, less returns, allowances, cash and trade discounts ..... \$ .....
- (6) Inward freight, express and truckage ..... \$ .....
- (7) Total of beginning inventory, purchases and freight ..... \$ .....
- (8) NET INVENTORY OF MERCHANDISE at end of year:  

In warehouse	.....	\$	.....
In stores	.....	\$	.....
- (9) COST OF MERCHANDISE SOLD (item 7 minus 8) ..... \$ .....
- (10) GROSS MARGIN OR PROFIT (item 3 minus 9) ..... \$ .....

(OVER)



B.

EXPENSE STATEMENT

	Head office and general	Warehouse	Stores	Total
	\$	\$	\$	\$
(1) Payroll - before any deductions				
(a) To executives and proprietors - include managers .....				
(b) To employees .....				
(2) Payments by the firm to employee pension funds, unemployment insurance, or other staff benefits such as hospitalization, insurance etc., which are not deducted from payroll. ....				
(3) Tenancy costs - taxes, insurance, repairs and depreciation on owned real estate and rentals on rented premises .....				
(4) Taxes - except on real estate and federal income tax; include taxes and licences imposed by provincial and local govern- ments; sales taxes collected directly from the customer are to be excluded entirely from this report. ....				
(5) Repairs and maintenance to fixtures and equipment, including delivery equipment .				
(6) Depreciation on fixtures and equipment, in- cluding delivery equipment .....				
(7) Supplies - wrapping paper, twine, office supplies, gas and oil for trucks, etc. .				
(8) Heat, light, and power used during the year .				
(9) Advertising .....				
(10) Travelling expenses .....		XXXXXXXX		
(11) Communication - telephone, telegraph, postage		XXXXXXXX	XXXXXXXX	
(12) Loss on bad debts - amount written off less amount recovered .....				
(13) All other expenses - interest on loans, bank charges, professional fees, etc. ....		XXXXXXXX	XXXXXXXX	
(14) <u>TOTAL EXPENSES</u> (total of items 1 to 13 inclusive) .....				

C.

NET GAIN STATEMENT

(1) <u>OPERATING PROFIT OR LOSS</u> (item A(10) minus B(14)) .....	\$
(2) Federal income tax, 1947 .....	\$
(3) <u>NET GAIN OR LOSS</u> (before dividends or profit sharing) .....	\$

III. MISCELLANEOUS INFORMATION

- (1) If not incorporated, please state the number of proprietors and their salaries or a fair charge for their services. Number \_\_\_\_\_ Salaries .....
- Are these included in item B-1 (a) of section II above? (Yes or No) \_\_\_\_\_
- (2) What was the value of customers' accounts outstanding at the end of the year? Include charge accounts, open accounts, instalment accounts or other receivables. Do not include accounts written off. .... \$

NOTES ON EXPENSE STATEMENT

1. Tenancy - In some instances heat or light may be included in rentals. If this is the case, please indicate in item 8 that these charges are included in item 3.
2. Delivery - Charges for delivery from warehouse to stores should come under warehouse expense whether trucks are owned and operated by the firm or delivery is on a contract basis. Delivery to customers should be reported as store expense.

## IN THIS SERIES.....

### OPERATING RESULTS OF RETAIL CHAIN STORES (1947)

1. Food chains
2. Clothing chains
3. Miscellaneous chains

### OPERATING RESULTS OF INDEPENDENT RETAIL STORES (1944, 1945, 1946)

1. Food stores
2. Clothing stores
3. Country general and dry goods stores
4. Hardware, furniture, household appliances  
and radio stores
5. Miscellaneous stores
6. Filling stations and garages

### OPERATING RESULTS OF WHOLESALERS (1947)

1. Food and tobacco
2. Dry goods, piece goods, footwear
3. Miscellaneous wholesalers

Price 25¢ each.

Merchandising and Services Section  
Dominion Bureau of Statistics

For a complete list of Dominion Bureau of Statistics publications write to the Dominion Bureau of Statistics,  
Ottawa.



DOMINION BUREAU OF STATISTICS  
MERCHANDISING AND SERVICES SECTION  
OTTAWA

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Dominion Statistician: HERBERT MARSHALL  
Director, Industry and Merchandising Division: W.H. Losee  
Chief, Merchandising and Services Section: C.H. McDonald

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Series, 1947  
No. 13

16-7072

## OPERATING RESULTS OF MISCELLANEOUS RETAIL CHAINS, 1947.

### Content of the Bulletin

This publication contains the results of a survey on the operations of retail variety, drug, and furniture chains in 1947. Figures contained in it and in the two previous chain store operating results bulletins are the results of the first detailed inquiry made by the Dominion Bureau of Statistics into operating costs of this phase of retailing.

There are two other publications in the 1947 chain store operations series, one outlining ratios for four types of clothing chains - men's, women's, family clothing and shoe chains - the other containing data for food chains - grocery, combination and meat chains.

### Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

### What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distribution and production is made, however, by dividing industry into units which perform chiefly either productive or distributive functions.



Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary Trade

Wholesalers proper  
Manufactures' sales branches or  
offices  
Petroleum bulk tank stations  
Agents and Brokers  
Assemblers of primary products  
Other types of operation

Retailers

Independent Retailers  
Independent Consumer Co-operatives  
Chains - Voluntary chains  
Chains under central  
ownership and control  
Retail co-operative chains.

Relative importance to total trading of chain organizations is brought out by the table below.

<u>Retail Trade</u>	<u>Percent</u>	
Independents .....	81.1	
Chains .....	18.7	Source: 1941 Census, Vol. X, Table 13, P. 398
Other types .....	<u>0.2</u>	
	100.0	

A comparison between the three classifications in terms of the relative importance of chain and independent form of organization in 1941 is demonstrated by the following table.

Comparison of Chain Sales to Total Sales, 1941

Kind of Business	1941 Total Sales	1941 Chain Sales	Percentage Chains to Total
	\$	\$	%
Variety .....	85,177,000	74,179,100	87.1
Drug .....	101,027,400	18,849,500	18.7
Furniture .....	64,057,000	15,484,200	24.2

Source - 1941 Census, Vol. X.

### The Schedule

A sample questionnaire was drawn up in the Bureau and despatched to the firms in the various trades surveyed. An accompanying letter requested that the companies make suggestions in order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records. The suggestions received were invaluable in the format of the final form.

A facsimile of this final schedule is presented on page 2 to help clarify meanings of terms used.

### Methods

The ten kinds of business in the survey were selected for their importance in the field of retail distribution. As the majority of firms indicated that they could not give results for individual stores, a consolidated report only for each firm was required. When received, some returns could not be used for such reasons as manufacturing activities or outside wholesaling for which expenses could not be separated from retailing costs. Where the number of reports was sufficient, the results were tabulated according to the most suitable sales-size range. In most reports, no clear distinction between head office, warehouse and store expense was made, so that results for these functions are shown separately for only a few kinds of business. The salaries of proprietors of unincorporated firms are included with executive salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Bureau, average results only are shown, and all information submitted by the co-operating firms has been kept in strictest confidence. This study does not replace the regular annual survey of retail chains which takes in all kinds of business and covers such items as: number of stores, net retail sales, salaries, store and warehouse stocks and customers' accounts outstanding.



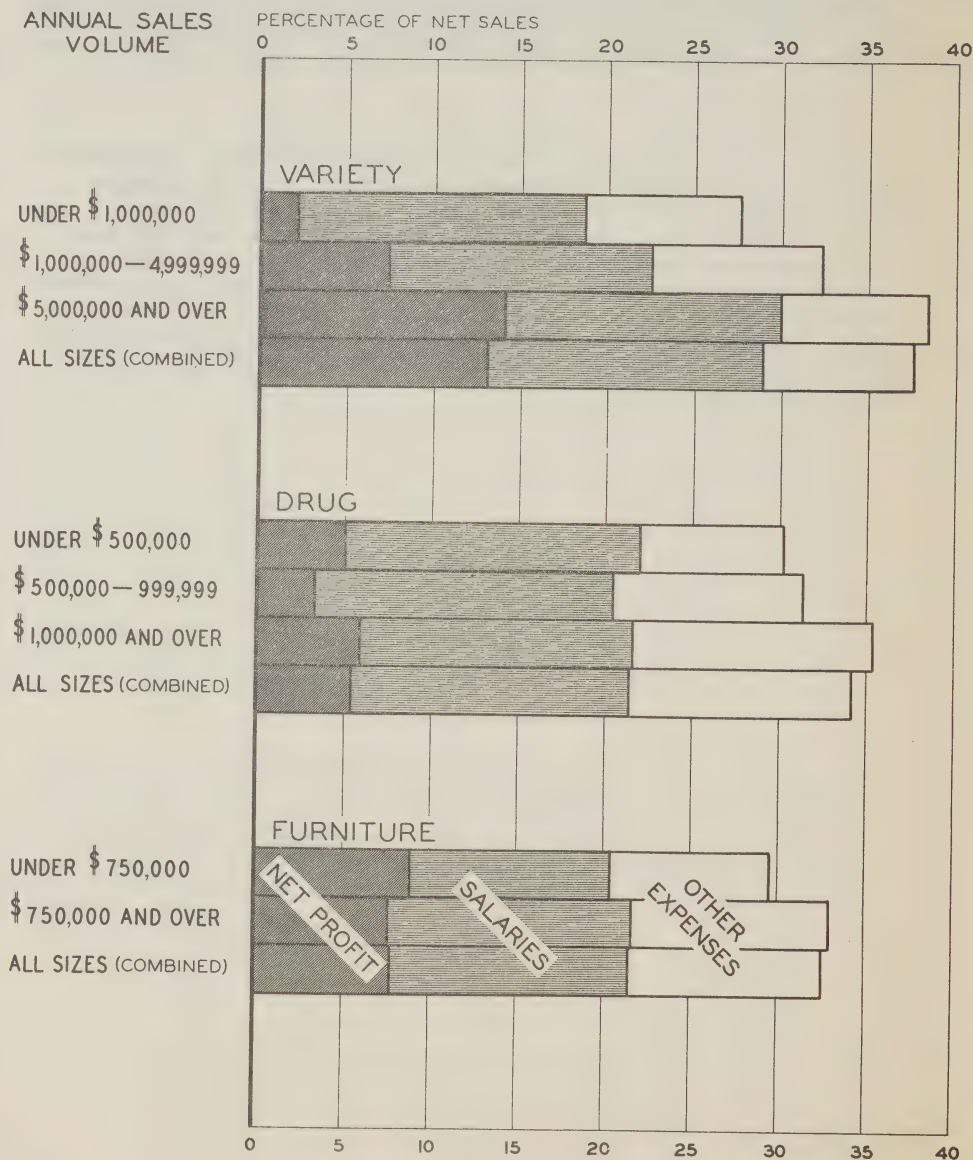
## RESULTS OF THE SURVEY.

All known chain firms in the three trades were canvassed by mail in this survey. A few were excluded because of inability to complete the form or to separate outside wholesale business from their warehouse operations. The coverage, however, was nearly complete and the results shown are considered representative.

The variety or limited price chains differed slightly in range of items handled, but there was uniformity in the expense ratios of the larger businesses. Drug chains presented in this report include those stores in which soda fountains are operated. The furniture classification includes a small amount of clothing sold by some of the firms. These three types of retail chains are presented in one bulletin as "miscellaneous" not because of any relationship between them, but because they were not either clothing or food chains. This is the final publication in the 1947 chain store operating results series.

# OPERATING RESULTS OF MISCELLANEOUS RETAIL CHAINS, 1947

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES



NOTE:—NET PROFIT IS BEFORE INCOME TAX DEDUCTION.



## VARIETY CHAINS.

Reports completed satisfactorily were received from sixteen firms and were used to obtain the results shown. The fifteen incorporated and one unincorporated companies operated 510 retail outlets. For tabulation of results, three sales-size groups were chosen - firms with over \$5,000,000 annual net sales, \$1,000,000 to \$4,999,999 and those whose sales were less than \$1,000,000. There were 5 firms in the largest, 5 firms in the middle and 6 firms in the lowest sales-size groups.

Tabulation of income tax and net profit was made for the two largest groups which were comprised entirely of incorporated companies.

1. A striking feature of the individual firms in this kind of business was the similarity of operating expense ratios in all sizes while the gross profit or margin increased consistently with size.
2. Variety store firms obtained the greatest profits of the chain classifications surveyed, averaging 37.67 per cent gross and 13.04 per cent net profit. In 1947 the smallest size chains realized a net profit of only \$2.05 out of \$100 sales, the middle group \$7.35 and the firms with sales over \$5,000,000 obtained \$14.10 net profit. The trend of gross profit was the same ranging from \$27.71 out of \$100 in the smallest to \$38.65 in the largest sales-size class.
3. More than half the expense dollar was absorbed by salaries and wages, the average ratio being 15.91 per cent of net sales. Head office executive salaries comprised 1.39 per cent and employees' wages the remainder.
4. Stocks held by the largest sized firms averaged 10.50 per cent of net sales at the first of the year and 12.13 per cent at the end. This ratio increased in the smaller chains to 16.83 per cent and 18.62 for the two dates respectively. With year ending inventories greater in dollar volume in all sizes, the rate of stock turnover ranged from 4.1 times per year in the smallest group to 5.4 times in the largest.

Table 1. - OPERATING RESULTS OF VARIETY CHAINS, 1947

By Size of Firm				
Item	Under \$1,000,000	\$1,000,000 to \$4,999,999	\$5,000,000 and over	Total
Number of firms .....	6	5	5	16
Number of stores .....	29	105	376	510
Average sales per chain ..... \$	397,857	2,839,993	20,121,931	7,324,797
Average sales per store ..... \$	82,315	135,238	267,579	229,797
Average cost of goods sold ... \$	59,506	91,434	164,161	143,237
Average inventory per store				
Beginning of year ..... \$	13,855	20,541	28,087	25,724
End of year ..... \$	15,323	21,814	32,464	29,296
Stock turnover (times per year).	4.1	4.3	5.4	5.2
Profit and Loss Data (Items expressed as percentage of net sales)				
Gross margin or profit .....	27.71	32.39	38.65	37.67
Operating expenses:				
Salaries - executives .....	2.88	2.34	1.22	1.39
- employees .....	13.78	12.86	14.76	14.52
Employees' benefits .....	0.11	0.19	0.61	0.55
Occupancy .....	3.74	3.79	4.00	3.97
Taxes (1) .....	0.34	0.42	0.36	0.36
Repairs (1) .....	0.88	0.68	0.26	0.32
Depreciation (1) .....	0.40	0.42	0.60	0.57
Supplies .....	0.47	0.91	0.81	0.82
Heat, light and power .....	0.84	0.67	0.63	0.63
Advertising .....	0.05	0.22	0.14	0.15
Travelling expense .....	0.37	0.29	0.16	0.18
Communication .....	0.11	0.18	0.10	0.11
Bad debt losses .....	-	-	-	-
All other expenses .....	1.69	2.07	0.90	1.06
Total operating expenses .....	25.66	25.04	24.55	24.63
Operating profit before income taxes .....	2.05	7.35	14.10	13.04
Income taxes .....		3.31	6.42	
Net profit .....		4.04	7.68	

(1) Excludes amount attributed to real estate which is included in occupancy.



## DRUG CHAINS.

Twenty-two reports on the operations of retail drug chains were completed satisfactorily and were used in this survey. The 16 incorporated and 6 unincorporated companies operated a total of 282 stores. Tabulation was made for three-size-of-business groups, \$1,000,000 and over annual net sales (5 firms) \$500,000 to \$999,999, (7 firms) and under \$500,000 sales (10 firms). A tabulation on income tax and net profit was made for the incorporated firms.

Because individual reports were not available for each store, the results of stores operating soda fountains are included in the one consolidated report received from the respective firms. There were too few reports to permit separate tabulation of drug chains with and without soda fountains. Soda fountain receipts principally affects the ratio of gross profit and salary expense, resulting in a greater ratio in each case.

1. In 1947, gross margin or profit increased with volume of business from 30.22 per cent of net sales in the smallest sized class to 35.54 per cent in the largest. Expenses followed the same upward trend to net operating profits of 4.98 per cent, 3.27 per cent and 5.93 per cent in the largest chains.
2. While head office executive salaries decreased in ratio with increased volume of business it is notable that employees' salaries remained practically unchanged. With more than half the expense dollar absorbed by salaries, executives accounted for \$1.45 out of every \$100 net sales, employees \$14.62, which varied from \$14.94 to \$14.54 over the three sizes. Occupancy cost was the second largest expense item at 4.69 per cent of net sales.
3. Inventories on hand at the end of the year were greater in dollar volume than at the beginning of the year in all size groups. The average of these two inventories divided into cost of goods sold resulted in an average stock turn rate of 4.0 times per year, ranging between 3.9 and 4.4 times for the three size classes of drug chains.

4. Income tax payments reduced the operating profit of incorporated companies approximately 40 per cent from 5.50 per cent of net sales to 3.25 per cent. The final net gain after this reduction for the three sales classes of drug chains is shown below.

Incorporated Drug Chains, 1947

(Percent of net sales)

Item	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	All sizes
Gross profit .....	30.33	31.38	35.60	34.24
Operating expenses .....	25.13	28.11	29.41	28.74
Operating profit .....	5.20	3.27	6.19	5.50
Income tax .....	2.05	1.35	2.54	2.25
Net profit .....	3.15	1.92	3.65	3.25



Table 2. - OPERATING RESULTS OF DRUG CHAINS, 1947

By Size of Firm				
Item	\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over	Total
Number of firms .....	10	7	5	22
Number of stores .....	53	54	175	282
Average sales per chain ..... \$	306,425	631,939	3,596,986	1,157,852
Average sales per store ..... \$	57,816	81,918	102,771	90,329
Average cost of goods sold ... \$	40,345	56,209	66,248	59,457
Average inventory per store				
Beginning of year ..... \$	9,804	12,523	16,063	14,209
End of year ..... \$	10,197	13,047	18,237	15,732
Stock turnover (times per year).	4.0	4.4	3.9	4.0
Profit and Loss Data (Items expressed as percentage of net sales)				
Gross margin or profit .....	30.22	31.38	35.54	34.18
Operating expenses:				
Salaries - executives .....	2.08	2.60	1.06	1.45
- employees .....	14.94	14.54	14.58	14.62
Employees' benefits .....	0.19	0.24	0.71	0.57
Occupancy .....	3.34	4.55	4.95	4.69
Taxes (1) .....	0.29	0.28	0.67	0.56
Repairs (1) .....	0.32	0.35	0.56	0.49
Depreciation (1) .....	0.39	0.68	0.72	0.67
Supplies .....	0.70	0.46	0.75	0.69
Heat, light and power .....	0.66	0.74	0.68	0.69
Advertising .....	0.86	1.12	1.74	1.52
Travelling expense .....	0.12	0.16	0.22	0.20
Communication .....	0.28	0.20	0.19	0.20
Bad debt losses .....	0.01	0.08	0.01	0.03
All other expenses .....	1.06	2.11	2.77	2.45
Total operating expenses .....	25.24	28.11	29.61	28.83
Operating profit before income taxes .....	4.98	3.27	5.93	5.35

(1) Excludes amount attributed to real estate which is included in occupancy.

## FURNITURE CHAINS.

Reports suitable for inclusion in this study on operating costs of retail chains were received from ten furniture chains of the incorporated type of organization. These companies operated 58 outlets. Tabulation was made for two size-of-business classes, under \$750,000, and \$750,000 and over with 4 firms in the first group and 6 in the latter.

1. The larger sized firms obtained a greater gross margin than the smaller class - 33.01 and 29.52 per cent of net sales respectively. This advantage of the larger class was more than balanced by higher expense ratios to net them a lower profit before income tax deduction - 7.67 per cent as compared to 8.92 in the smaller group.
2. For every \$100 sales, \$13.72 was spent in salaries. This figure represented more than half of the expense dollar. Advertising was the next largest expense item accounting for \$3.04 out of every \$100 sales with the larger sized class expending proportionately more than twice that expended by the smaller class.
3. Inventories were greater in dollar volume at the end of the year than at the beginning. Based on the average of beginning and year ending stock, the turnover rate was 3.2 times per year, with no appreciable difference between the two size groups.
4. Deduction of income taxes reduced the operating profit of these incorporated companies from 7.83 per cent to 4.76 per cent of net sales.



Table 3. - OPERATING RESULTS OF FURNITURE CHAINS, 1947

By Size of Firm			
Item	Under \$750,000	\$750,000 and over	Total
Number of firms .....	4	6	10
Number of stores .....	16	42	58
Average sales per chain ..... \$	491,326	2,270,993	1,559,126
Average sales per store ..... \$	122,831	324,427	268,815
Average cost of goods sold ... \$	86,566	217,319	181,249
Average inventory per store			
Beginning of year ..... \$	23,807	64,959	53,607
End of year ..... \$	27,843	74,218	61,425
Stock turnover (times per year).	3.4	3.1	3.2
Profit and Loss Data (Items expressed as percentage of net sales)			
Gross margin or profit .....	29.52	33.01	32.57
Operating expenses:			
Salaries and wages .....	11.52	14.04	13.72
Employees' benefits .....	0.12	0.14	0.14
Occupancy .....	2.71	2.25	2.31
Taxes (1) .....	0.20	0.27	0.25
Repairs (1) .....	0.19	0.46	0.43
Depreciation (1) .....	0.21	0.56	0.52
Supplies .....	0.81	0.95	0.93
Heat, light and power .....	0.55	0.54	0.54
Advertising .....	1.19	3.31	3.04
Travelling expense .....	0.15	0.28	0.27
Communication .....	0.35	0.34	0.34
Bad debt losses .....	0.43	0.21	0.24
All other expenses .....	2.17	1.99	2.01
Total operating expenses .....	20.60	25.34	24.74
Operating profit before income taxes .....	8.92	7.67	7.83
Income tax .....	3.79	2.97	3.07
Net profit .....	5.13	4.70	4.76

(1) Excludes amount attributed to real estate which is included in occupancy.









63-D-41

MERCHANDISING FILE NO.  
UNIVERSITY OF TORONTO  
DEPT. OF POLITICAL ECONOMY

GOVERNMENT OF CANADA

OPERATING RESULTS  
OF  
MISCELLANEOUS CHAIN STORES  
1949







OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES  
1949

VARIETY STORES - DRUG STORES - FURNITURE STORES

Published by Authority of the RT. HON. C. D. HOWE  
*Minister of Trade and Commerce*

Prepared in the Merchandising and Services Section  
Industry and Merchandising Division  
Dominion Bureau of Statistics, Ottawa

## **NOTICE**

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

### **Part I — Wholesale Statistics**

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

### **Part II — Retail Statistics**

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

### **Part III — Services and Special Fields**

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

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### OPERATING RESULTS — LIST OF REPORTS

#### WHOLESALE TRADE (1947 and 1949)

1. Food Wholesalers
2. Dry Goods, Piece Goods and Footwear Wholesalers.
3. Miscellaneous Wholesalers (automotive equipment, drugs, hardware, heating and plumbing supplies).

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946 and 1948)

1. Food Stores.
2. Clothing Stores.
3. Hardware, Furniture, Household Appliance and Radio Stores.
4. Filling Stations and Garages.
5. Miscellaneous Stores (country general, restaurants, fuel, drugs, jewellery and tobacco stores).

#### RETAIL CHAIN STORES (1947 and 1949)

1. Food Stores.
2. Clothing Stores.
3. Miscellaneous Stores (variety, drugs and furniture).



## **INTRODUCTION**

The following explanatory notes describe certain features of the operating results series contained in this report.

### **Scope**

Chain store firms are those which operate four or more retail outlets. Chain firms of three trades are covered in this bulletin — variety stores, drug stores and furniture stores.

### **Content**

This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. A breakdown of operating expenses between the functions of head office and warehouse is reported wherever possible. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

### **Purpose**

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

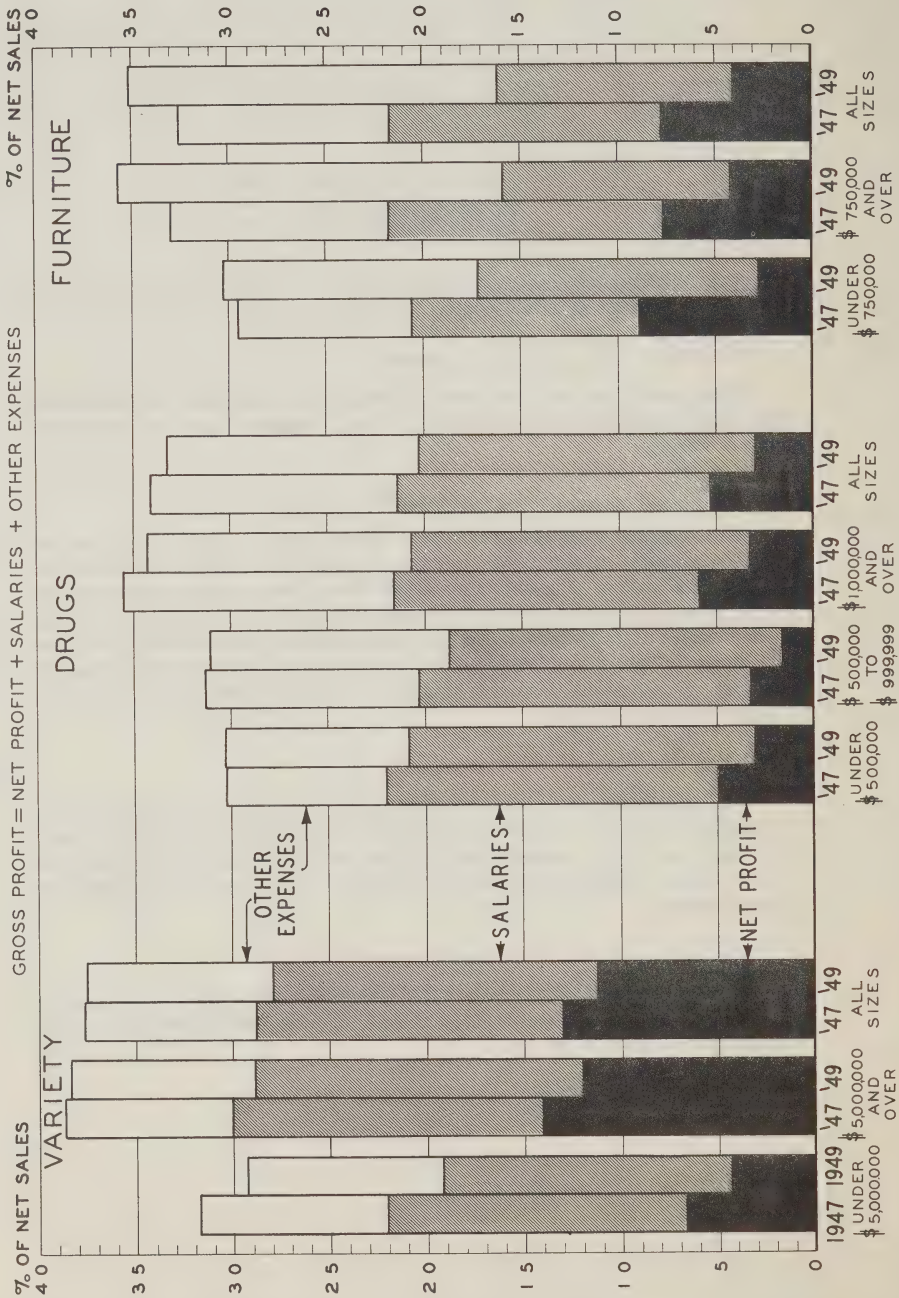
### **Period covered**

This report deals mainly with 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables and charts show comparative results for both years.



# OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES 1947 AND 1949

BY SIZE OF FIRM



## VARIETY STORES

Eleven variety store chains submitted reports on 1949 operations. A total of 426 retail stores was opera-

ted by these firms. Ten of the 11 firms were incorporated companies for which income tax expense is shown.

### REVIEW OF 1949 OPERATING RESULTS

#### Profit and Expense Ratios

There was a wide difference in the gross and net profits of the smaller and larger-size variety store chains in 1949. The larger firms obtained gross profits averaging 38.37% of net sales and a net operating profit of 12.01%. The smaller class operated on

an average gross profit of 29.37% of net sales and realized a net operating profit of 4.38%. All sizes combined obtained an average net profit of 11.29% which other income increased to a total net profit of 11.66% before deduction of income tax. (See Table 1)

#### Inventories and Stock Turnover

The average dollar volume of stock on hand was lower at the end of the year than at the beginning. Stock turnover rate — cost of goods

sold divided by average inventory — was 4.95 times during the year for all sizes combined. (See Table 1)

#### Incorporated Companies

All firms in the larger group and all except one in the smaller were incorporated companies with the result that 1949 profits and expenses were similar to those of all types. Other income

of 0.37% was added to a net operating profit amounting to 11.30% of net sales and income tax of 4.62% was deducted to leave a final net profit of 7.05%.

### Operating Results of Incorporated Variety Stores by Size of Firm, 1949

(Items expressed as percentages of net sales)

Item	Firms with 1949 sales of		Total, all sizes
	Under \$5,000,000	\$5,000,000 and over	
	%	%	%
Gross profit.....	29.35	38.37	37.53
Operating expenses.....	24.99	26.36	26.23
Net operating profit.....	4.36	12.01	11.30
Other income.....	0.39	0.36	0.37
Net profit before income tax deduction.....	4.75	12.37	11.67
Income tax.....	1.86	4.91	4.62
Final net profit.....	2.89	7.46	7.05

## Comparison of 1947 and 1949 Results

Sixteen firms submitted reports to the 1947 survey while 11 sent in figures on their 1949 business operations. The results for the two years are summarized below. Gross profit was little changed from 1947, but operating expenses in-

creased from 24.63% of net sales in 1947 to 26.23% in 1949. Net profit without other income and before deduction of income tax dropped from 13.04% in 1947 to 11.29% of net sales in 1949.

## Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

Item	1947 (16 firms) %	1949 (11 firms) %
<b>Gross profit .....</b>	<b>37.67</b>	<b>37.52</b>
Operating expenses:		
Salaries.....	15.91	16.66
Occupancy .....	3.97	4.06
Supplies .....	0.82	1.00
All other.....	3.93	4.51
<b>Total operating expenses .....</b>	<b>24.63</b>	<b>26.23</b>
<b>Net profit without other income and before deduction of income tax.....</b>	<b>13.04</b>	<b>11.29</b>

TABLE 1. Operating Results of Chain Variety Stores, by Size of Firm, 1949

Item	Firms with 1949 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
Number of firms .....	6	5	11
Number of stores operated.....	86	340	426
Average sales per firm..... \$	2,093,724	24,271,021	12,174,314
Average cost of goods sold..... \$	1,478,747	14,959,437	7,606,334
Average inventory per firm:			
Beginning of year..... \$	335,862	3,081,336	1,583,805
Percent of net sales.....	16.04	12.70	13.01
End of year..... \$	295,748	2,920,426	1,488,784
Percent of net sales.....	14.13	12.03	12.23
Stock turnover (times per year).....	4.68	4.99	4.95
<b>PROFIT AND LOSS DATA</b> (Percent of net sales)			
<b>Gross profit.....</b>	<b>29.37</b>	<b>38.37</b>	<b>37.52</b>
Operating expenses:			
Salaries- executives.....	1.94	0.45	0.59
-other employees.....	12.93	16.39	16.07
Employees' benefits .....	0.18	0.50	0.47
Occupancy .....	4.17	4.05	4.06
Taxes <sup>1</sup> .....	0.51	0.38	0.39
Repairs <sup>1</sup> .....	0.67	0.23	0.27
Depreciation <sup>1</sup> .....	0.68	0.91	0.89
Supplies .....	0.81	1.02	1.00
Heat, light and power.....	0.61	0.64	0.64
Advertising.....	0.48	0.25	0.27
Travelling.....	0.39	0.17	0.19
Communication.....	0.19	0.17	0.17
Bad debt loss.....	2	2	2
All other expenses.....	1.43	1.20	1.22
<b>Total operating expenses .....</b>	<b>24.99</b>	<b>26.36</b>	<b>26.23</b>
Net operating profit.....	4.38	12.01	11.29
Other income .....	0.39	0.36	0.37
<b>Total net profit before income tax deduction..</b>	<b>4.77</b>	<b>12.37</b>	<b>11.66</b>

1. Excludes amount attributed to real estate which is included in occupancy.

2. Less than 0.005%.



## DRUG STORES

Twenty chain store firms in this trade submitted reports on their 1949 operations. These firms operated 277 retail stores. Fifteen of the

20 chains were incorporated companies for which income tax and final profit ratios are shown.

### REVIEW OF 1949 OPERATING RESULTS

#### Profit and Expense Ratios

Drug store chains operated on an average gross profit amounting to 33.27% of net sales. The larger sales-size classes obtained higher gross profits than did the smaller. Operating expenses

for all sizes were 30.28% of net sales leaving a net operating profit of 2.99%. Other income of 1.28% produced a final net profit before income tax deduction amounting to 4.27% of net sales. (See Table 2)

#### Inventories and Stock Turnover

Average dollar volume inventories increased from \$213,930 per firm at the beginning of the year to \$235,499 at the end of the year. This

increase was general for all size categories. The rate of stock turnover was 3.81 times per year. (See Table 2)

#### Incorporated Companies

The fifteen incorporated companies had profits and expenses similar to the "all firms" average. Net operating profit was increased from

2.69% of net sales to 4.05% by other income. Income tax amounting to 1.48% was deducted to leave a final net profit of 2.57% of net sales.

### Operating Results of Incorporated Drug Stores, by Size of Firm, 1949

(Items expressed as percentages of net sales)

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
	%	%	%	%
Gross profit .....	29.67	31.06	34.68	33.51
Operating expenses .....	27.27	29.45	31.63	30.82
Net operating profit .....	2.40	1.61	3.05	2.69
Other income .....	0.63	0.99	1.54	1.36
Total net profit before income tax deduction .....	3.03	2.60	4.59	4.05
Income tax .....	0.77	0.83	1.76	1.48
Final net profit .....	2.26	1.77	2.83	2.57

## Comparison of 1947 and 1949 Results

Twenty-two firms reported to the 1947 survey while 20 sent in reports on their 1949 operations. The results of all firms reporting for each year are compared in summary form below. Increased operating

expenses together with reduced gross profits caused smaller net profits in 1949. Net profit before addition of other income or deduction of income tax dropped from 5.35% of net sales in 1947 to 2.99% in 1949.

## Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

Item	1947 (22 firms) %	1949 (20 firms) %
Gross profit.....	34.18	33.27
Operating expenses:		
Salaries.....	16.07	17.33
Occupancy.....	4.69	4.62
Advertising.....	1.52	1.65
All other.....	6.55	6.68
Total operating expenses.....	28.83	30.28
Net profit without other income and before deduction of income tax.....	5.35	2.99

TABLE 2. Operating Results of Chain Drug Stores, by Size of Firm, 1949

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	9	7	4	20
Number of stores operated.....	50	52	175	277
Average sales per firm..... \$	352,426	674,734	4,441,176	1,282,984
Average cost of goods sold..... \$	245,741	465,135	2,913,662	856,113
Average inventory per firm:				
Beginning of year..... \$	57,153	96,505	772,171	213,930
Percent of net sales.....	16.22	14.30	17.39	16.67
End of year..... \$	61,427	103,899	857,461	235,499
Percent of net sales.....	17.43	15.40	19.31	18.35
Stock turnover (times per year).....	4.14	4.64	3.58	3.81
PROFIT AND LOSS DATA (Percent of net sales)				
Gross profit.....	30.27	31.06	34.39	33.27
Operating expenses:				
Salaries - executives.....	3.17	1.66	1.27	1.58
- other employees.....	14.61	15.49	16.02	15.75
Employees' benefits.....	0.30	0.26	0.79	0.63
Occupancy.....	3.86	4.40	4.82	4.62
Taxes <sup>1</sup> .....	0.21	0.25	0.23	0.23
Repairs.....	0.53	0.68	0.46	0.51
Depreciation <sup>1</sup> .....	0.64	0.94	0.92	0.89
Supplies.....	0.66	1.38	0.58	0.74
Heat, light and power.....	0.57	0.55	0.65	0.62
Advertising.....	1.08	1.04	1.91	1.65
Travelling.....	0.10	0.17	0.27	0.23
Communication.....	0.26	0.23	0.20	0.21
Bad debt loss.....	0.01	0.21	0.01	0.05
All other expenses.....	1.21	2.19	2.92	2.57
Total operating expenses.....	27.21	29.45	31.05	30.28
Net operating profit.....	3.06	1.61	3.34	2.99
Other income:				
Discounts earned.....	0.11	0.25	0.30	0.27
Interest earned.....	0.02	0.04	0.03	0.03
Bad debts recovered.....	-	0.04	-	0.01
Other.....	0.35	0.66	1.17	0.97
Total other income.....	0.48	0.99	1.50	1.28
Total net profit before income tax deduction.....	3.54	2.60	4.84	4.27

1. Excludes amount attributed to real estate which is in occupancy expense.

## FURNITURE STORES

Ten firms reported on their 1949 operations. These firms were all of the incorporated type

of operation and did business through 65 retail outlets.

### REVIEW OF 1949 OPERATING RESULTS

#### Profit and Expense Ratios

Furniture store chains obtained an average gross profit of 35.11% of net sales in 1949. Operating expenses formed 31.08% of net sales leaving a net operating profit of 4.03%. Other income of

3.70% increased this profit to 7.73% of net sales before deduction of income tax. Income tax amounted to 2.20%, leaving a final net profit of 5.53% of net sales. (See Table 3)

#### Inventory and Stock Turnover

Stocks of merchandise on hand were lower in dollar volume at the end of the year than at the beginning. The average dropped from \$403,006

to \$384,452 by the end of 1949. Stock was sold and replaced 2.70 times during the year. (See Table 3)

#### Comparison of 1947 and 1949 Results

The 1947 results, and those presented here for 1949, were obtained from the same 10 firms. The main operating items are summarized below in comparative form. Gross profit increased from

32.57% of sales in 1947 to 35.11% in 1949. Relatively higher operating expenses produced lower net profits in 1949 - 4.03% of net sales compared with 7.83% in 1947.

### Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

Item	1947 (10 firms)	1949 (10 firms)
	%	%
Gross profit .....	32.57	35.11
Operating expenses:		
Salaries .....	13.72	12.11
Occupancy.....	2.31	4.79
Advertising.....	3.04	4.69
All other .....	5.67	9.49
Total operating expenses .....	24.74	31.08
Net profit without other income and before income tax deduction .....	7.83	4.03



TABLE 3. Operating Results of Chain Furniture Stores, by Size of Firm, 1949

Item	Firms with 1949 sales of		Total, all sizes
	Under \$750,000	\$750,000 and over	
Number of firms .....	4	6	10
Number of stores operated.....	16	49	65
Average sales per firm..... \$	489,971	2,406,920	1,640,141
Average cost of goods sold..... \$	341,517	1,546,208	1,064,332
Average inventory per firm:			
Beginning of year..... \$	133,210	582,869	403,006
Percent of net sales .....	27.19	24.22	24.57
End of year..... \$	120,414	560,476	384,452
Percent of net sales .....	24.58	23.29	23.44
Stock turnover (times per year).....	2.69	2.70	2.70
PROFIT AND LOSS DATA (Percent of net sales)			
Gross profit .....	30.30	35.76	35.11
Operating expenses:			
Salaries-executives .....	3.09	2.19	2.30
-other employees .....	11.43	9.59	9.81
Employees' benefits .....	0.11	0.24	0.23
Occupancy.....	3.49	4.97	4.79
Taxes <sup>1</sup> .....	0.22	0.24	0.24
Repairs <sup>1</sup> .....	0.86	0.68	0.70
Depreciation <sup>1</sup> .....	0.61	0.68	0.67
Supplies.....	1.15	2.46	2.30
Heat, light and power.....	0.54	0.55	0.55
Advertising .....	2.07	5.05	4.69
Travelling.....	0.20	0.20	0.20
Communication .....	0.27	0.24	0.25
Bad debt loss.....	0.42	0.58	0.56
All other expenses .....	3.13	3.88	3.79
Total operating expenses.....	27.59	31.55	31.08
Net operating profit .....	2.71	4.21	4.03
Other income:			
Discounts earned .....	0.05	0.21	0.19
Interest earned.....	0.03	0.23	0.20
Financing charges.....	0.95	2.43	2.26
Bad debts recovered .....	0.17	0.11	0.12
Other.....	0.20	1.03	0.93
Total other income .....	1.40	4.01	3.70
Total net profit before income tax deduction .....	4.11	8.22	7.73
Income tax.....	1.14	2.34	2.20
Final net profit.....	2.97	5.88	5.53

1. Excludes amount attributed to real estate which is in occupancy expense.







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UNIVERSITY OF TORONTO

DEPT. OF POLITICAL ECONOMY

DOMINION BUREAU OF STATISTICS—DEPARTMENT OF TRADE AND COMMERCE

*Canada*

OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES

1951

VARIETY STORES - DRUG STORES - FURNITURE STORES

*Published by*

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Ottawa

## NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 4 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Construction; **Volume IV**—Merchandising and Services.

Volume IV consists of the following parts with individual trade reports listed under each:

### Part I — Wholesale Statistics

- A—Wholesale Trade, 25¢.
- B—Operating Results of Food Wholesalers, 25¢.
- C—Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- D—Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢.

### Part II — Retail Statistics

- E—General Review, 25¢.
- F—Retail Trade, 25¢.
- G—Retail Chain Stores, 25¢.
- H—Operating Results of Chain Food Stores, 25¢.
- I—Operating Results of Chain Clothing Stores, 25¢.
- J—Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- \*K—Operating Results of Retail Food Stores, 25¢.
- \*L—Operating Results of Retail Clothing Stores, 25¢.
- \*M—Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢.
- \*N—Operating Results of Filling Stations and Garages, 25¢.
- \*O—Operating Results of Miscellaneous Retail Stores, 25¢.
- P—Retail Consumer Credit, 25¢.

### Part III — Service and Special Fields

- Q—Laundries, Cleaners and Dryers, 25¢.
- R—Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S—Hotels, 25¢.
- T—Sales Financing, 25¢.
- U—Farm Implement and Equipment Sales, 25¢.
- V—New Motor Vehicle Sales and Motor Vehicle Financing 25¢.
- W—Advertising Agencies (Memorandum) 25¢.

The reports are punched to permit of filing in a ring binder.

- \* Biennial reports — not issued for 1951.

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### OPERATING RESULTS -- LIST OF REPORTS

#### WHOLESALE TRADE (1947, 1949 and 1951)

1. Food Wholesalers.
2. Dry Goods, Piece Goods and Footwear Wholesalers.
3. Miscellaneous Wholesalers (automotive equipment, drugs, hardware, heating and plumbing supplies).

#### INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948 and 1950)

1. Food Stores.
2. Clothing Stores.
3. Hardware, Furniture, Household Appliance and Radio Stores.
4. Filling Stations and Garages.
5. Miscellaneous Stores (country general, restaurants, fuel, drugs, jewellery and tobacco stores).

#### RETAIL CHAIN STORES (1947, 1949 and 1951)

1. Food Stores.
2. Clothing Stores.
3. Miscellaneous Stores (variety, drugs and furniture).





# OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES

1951

VARIETY STORES - DRUG STORES - FURNITURE STORES

## INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

### Scope

Chain store firms are those which operate four or more retail outlets. Chain firms of three trades are covered in this bulletin — variety stores, drug stores and furniture stores.

### Content

This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

In this report "occupancy expense" includes taxes, insurance, mortgage interest, repairs and depreciation on owned real estate used in the business, together with rental expense on rented premises. Similarly, "delivery expense" includes salaries, insurance, licenses, repairs, maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

### Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

### Period Covered

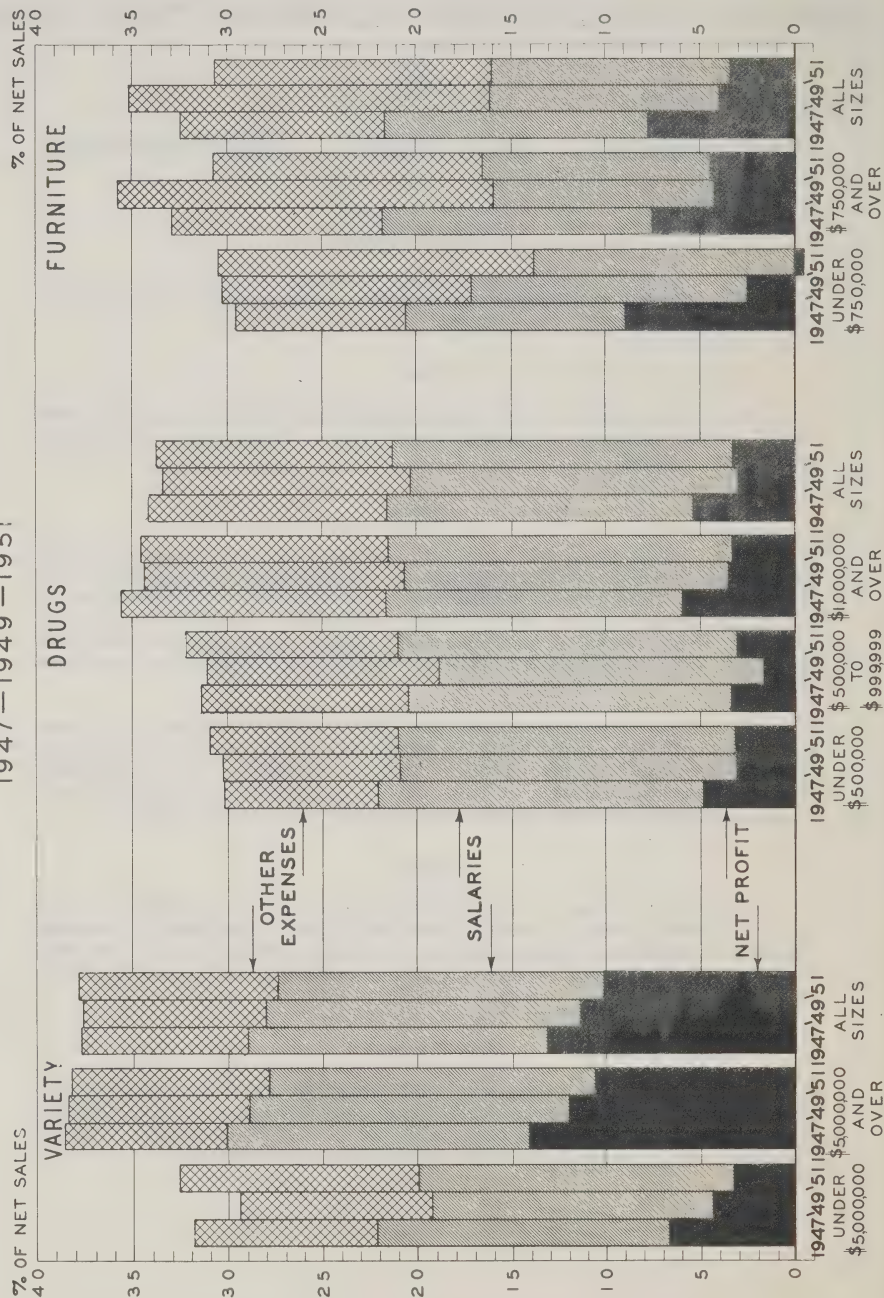
This report deals mainly with 1951 operations and is the third biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1949 and 1951. The charts show the gross profit components for 1947, 1949 and 1951 by suitable sales-size classifications for each trade.

# OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES

## BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1947-1949-1951



## CHAIN VARIETY STORES

The 13 firms from which reports were received, together operated 523 retail outlets in 1951. There was a sufficient number of firms reporting to permit a sales-size breakdown of results. All firms which

reported were incorporated companies. Consequently income tax information is shown for both sales-size categories.

## REVIEW OF 1951 OPERATING RESULTS

## Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items presented in this form, on a unit basis, a standard is established. To this standard the operating results of variety store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy.

In 1951, variety store chains obtained a gross profit ratio or margin of 37.79 per cent of average net sales. Average operating expense ratios totaling 27.64% reduced this figure to a net operating profit ratio of 10.15%. A lower gross profit ratio of

32.56% was experienced by the first sales-size category, compared to 38.16% by the second category. This, together with a higher operating expense ratio of 29.33% compared to 27.32% respectively, resulted in the firms of the first category averaging a lower net operating profit ratio of 3.23% compared to 10.64%. Miscellaneous expense and income netted an increase in each instance, and increased the profit ratio for all firms to 10.59%. Income tax decreased the net profit ratios to 5.08% for all firms, 1.99% for the firms of the smaller category and 5.30% for the firms of the larger category. These declines represent profit reductions of 52.0%, 43.1% and 52.3% respectively.

## Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased slightly from 12.40% at the beginning of the year to 12.96% at the end of the year. This trend was common to both of the sales-size categories. The rate of stock turnover — average of beginning

and ending inventories divided into cost of goods sold — was 4.90, a slight decline from the rate ascertained from the 1949 survey results. The stock turnover rates of the two categories increased directly with the sales-size.

TABLE 1. Operating results of Chain Variety Stores, 1951, by Size of Firm

Item	Firms with 1951 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
Number of firms .....	7	6	13
Number of stores operated .....	74	449	523
Average net sales per firm .....	\$ 1,535,435	24,705,242	12,229,237
Average cost of goods sold .....	\$ 1,035,566	15,276,647	7,608,400
Average inventory per firm:			
Beginning of year .....	\$ 248,457	2,996,374	1,516,962
Per cent of average net sales .....	16.18	12.13	12.40
End of year .....	\$ 265,204	3,125,868	1,585,516
Per cent of average net sales .....	17.27	12.65	12.96
Stock turnover (times per year) .....	4.03	4.99	4.90



TABLE 1. Operating Results of Chain Variety Stores, 1951, by Size of Firm — Concluded

Item	Firms with 1951 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
<b>Profit and loss data</b> (per cent of net sales)			
Gross profit .....	32.56	38.16	37.79
Operating expenses:			
Salaries:			
Executives .....	2.29	0.68	0.79
Other employees .....	14.42	16.46	16.32
Employees' benefits .....	0.25	0.53	0.51
Occupancy .....	4.60	2.91	3.02
Heat, light and power .....	0.75	0.73	0.73
Taxes, licenses .....	0.59	0.44	0.45
Insurance .....	0.47	0.31	0.32
Repairs and maintenance .....	0.55	0.23	0.25
Depreciation .....	1.15	0.30	0.33
Supplies .....	1.09	1.06	1.06
Advertising .....	0.66	0.24	0.27
Travelling .....	0.37	0.20	0.21
Communication .....	0.25	0.13	0.13
Delivery .....	0.14	—	0.01
Bad debt loss .....	—	—	—
All other expenses .....	1.75	2.80	2.74
<b>Total operating expenses</b> .....	<b>29.33</b>	<b>27.52</b>	<b>27.64</b>
Net operating profit .....	3.23	10.64	10.15
Other income .....	0.28	0.55	0.53
Miscellaneous expense .....	0.01	0.09	0.09
<b>Net profit before income tax deduction</b> .....	<b>3.50</b>	<b>11.10</b>	<b>10.59</b>
Income tax .....	1.51	5.80	5.51
<b>Final net profit</b> .....	<b>1.99</b>	<b>5.30</b>	<b>5.08</b>

#### Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for the purpose of comparison. Only 11 firms reported for the 1949 survey, compared to 13 respondents in 1951. The total number of retail outlets as well as average net sales per firm increased correspondingly. Ratios, however, tend to eliminate the lack of comparability arising from variations in the number of responding firms and total retail outlets operated. The ratios of items expressed as percentages of net sales, may be used with a high degree of reliability for a specific year when compared with any one firm's results irrespective of the number of retail outlets.

Since profit and expense ratios are percentages based on net sales, it is difficult to interpret a ratio change from one year to the next without examining

the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in net sales together with changes in operating ratios, it would be advisable to express net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great



a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 were 3.3% below the average ascertained from the 1949 survey. Therefore, the slight increase in the gross profit ratio in 1951 indicates that the average gross profit decreased at a smaller rate than did average net sales. A corresponding increase occurred in the total operating expense ratio which offset the gross profit ratio gain, resulting in a slight decline in the net operating profit ratio from 11.29% in 1949 to 10.15% in 1951.

**TABLE 2. Main Operating Results Items for 1949 and 1951 Compared**

(Items expressed as percentages of net sales)

Item	1949 (11 firms)	1951 (13 firms)
	%	%
Gross profit .....	37.52	37.79
Operating expenses:		
Salaries .....	16.66	17.11
Occupancy .....	4.06	3.02
Supplies .....	1.00	0.27
All other .....	4.51	7.24
Total operating expenses .....	26.23	27.64
Net operating profit .....	11.29	10.15

## CHAIN DRUG STORES

A total of 289 retail outlets were operated by the 22 drug store firms reporting to this survey. Operating profit and expense ratios are presented for three typical sales-size categories as well as total

all sizes. In addition, main operating ratios, income tax deductions and final net profits are shown for the incorporated companies.

## REVIEW OF 1951 OPERATING RESULTS

### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of chain drug stores, irrespective of the number of retail outlets, might be compared with a high degree of accuracy. In 1951, drug store chains obtained an average gross profit of 33.74 per cent of average net sales. Gross profit ratios for the three sales-size categories increased directly with the sales-size and ranged from 30.90% to 32.16% and 34.62%. Similarly, total

operating expenses which averaged 30.53%, ranged from 27.81% in the first to 29.14% and 31.34% in the middle and largest sales-size categories, respectively. Consequently, the net operating ratios ranged from 3.02% in the middle sales-size classification to 3.09% and 3.28% in the first and largest sales-size groups. The net operating profit ratio for all firms combined was 3.21%. Miscellaneous expense and income netted an increase to each group resulting in a net profit ratio, before income tax deduction, of 4.10%.

### Inventories and Stock Turnover

Average inventories, expressed as percentages or average net sales of all responding firms, increased slightly from 18.01% at the beginning of the year, to 18.33% at the end of the year. This trend was common to the first two sales-size categories, but the largest category showed a slight decline. The rate of stock turnover — average of beginning

and ending inventories divided into cost of goods sold — was 3.65 times per year, a slight decrease from the 1949 rate of 3.81. The rates for the three categories ranged from 3.49 in the largest to 3.94 and 4.27 in the first and second size groups, respectively.

TABLE 3. Operating Results of Chain Drug Stores, 1951, by Size of Firm

Item	Firms with 1951 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms .....	11	6	5	22
Number of stores operated .....	59	43	187	289
Average net sales per firm .....	\$ 352,019	667,001	3,995,825	1,266,060
Average cost of goods sold .....	\$ 243,239	452,503	2,612,646	838,812
Average inventory per firm:				
Beginning of year .....	\$ 59,777	99,945	751,705	227,988
Per cent of average net sales .....	16.98	14.98	18.81	18.01
End of year .....	\$ 63,567	111,998	747,084	232,120
Per cent of average net sales .....	18.06	16.79	18.70	18.33
Stock turnover (times per year) .....	3.94	4.27	3.49	3.65
<b>Profit and loss data</b>				
(per cent of net sales)				
<b>Gross profit .....</b>	<b>30.90</b>	<b>32.16</b>	<b>34.62</b>	<b>33.74</b>
Operating expenses:				
Salaries:				
Executives .....	2.17	3.09	0.84	1.35
Other employees .....	15.64	14.85	17.25	16.68
Employees' benefits .....	0.26	0.25	0.79	0.64
Occupancy .....	2.96	3.88	4.60	4.27
Heat, light and power .....	0.61	0.50	0.78	0.71
Taxes, licenses .....	0.36	0.24	0.25	0.27
Insurance .....	0.41	0.32	0.28	0.30
Repairs and maintenance .....	0.48	0.16	0.65	0.55
Depreciation .....	0.83	1.14	0.96	0.97
Supplies .....	0.71	1.25	0.61	0.72
Advertising .....	0.81	0.69	1.29	1.13
Travelling .....	0.17	0.12	0.23	0.20
Communication .....	0.29	0.34	0.25	0.27
Delivery .....	0.36	0.73	0.56	0.63
Bad debt loss .....	0.02	0.15	0.01	0.03
All other expenses .....	1.23	1.43	1.99	1.81
<b>Total operating expenses .....</b>	<b>27.81</b>	<b>29.14</b>	<b>31.34</b>	<b>30.53</b>
<b>Net operating profit .....</b>	<b>3.09</b>	<b>3.02</b>	<b>3.28</b>	<b>3.21</b>
Other income:				
Discounts earned .....	0.10	0.25	0.23	0.22
Interest earned .....	0.04	0.04	0.06	0.05
Bad debts recovered .....	—	0.04	0.01	0.01
Other .....	0.33	0.29	0.80	0.66
<b>Total other income .....</b>	<b>0.47</b>	<b>0.62</b>	<b>1.10</b>	<b>0.94</b>
Miscellaneous expense .....	0.14	0.22	0.01	0.05
<b>Net profit before income tax deduction .....</b>	<b>3.42</b>	<b>3.42</b>	<b>4.37</b>	<b>4.10</b>

**Incorporated Companies**

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profit before income tax deduction, expressed

as a proportion of the respective net sales, was 4.23% and 4.10% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of 4.23% to 2.19%, a decrease of 48%.

**TABLE 4. Operating Results of Incorporated Drug Stores, 1951, by Size of Firm**  
(Items expressed as percentages of net sales)

Item	Firms with 1951 sales of			Total all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
	%	%	%	%
Gross profit .....	29.76	32.16	35.13	34.17
Total operating expenses .....	27.05	29.14	31.68	30.85
Net operating profit .....	2.71	3.02	3.45	3.32
Other income .....	0.53	0.62	1.11	0.98
Miscellaneous expense .....	0.24	0.22	0.01	0.07
Net profit before income tax deduction .....	3.00	3.42	4.55	4.23
Income tax .....	1.10	1.54	2.26	2.04
Final net profit .....	1.90	1.88	2.29	2.19

#### Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for the purpose of comparison. Only 20 firms reported for the 1949 survey, compared to 22 respondents in 1951. Despite the additional firms and the subsequent additional retail outlets included in the 1951 tabulations, the average net sales per firm showed a slight decrease. Ratios, however, tend to eliminate the lack of comparability arising from variations in the number of responding firms and total retail outlets operated. The ratios of items expressed as percentages of net sales, may be used with a high degree of reliability, for a specific year, when compared with any one firm's results irrespective of the number of retail outlets.

Since profit and expense ratios are percentages based on net sales, it is difficult to interpret a ratio change from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes, due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in net sales together with changes in operating ratios, it would be advisable to express net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from

\$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 were four per cent greater than the average ascertained from the 1949 survey. Therefore the slight increase in the 1951 gross profit ratio indicates that the average gross profit increased at a greater rate than did average net sales. A smaller increase occurred in the total operating expense ratio, resulting in a slight gain in the net operating profit ratio from 2.99% in 1949 to 3.21% in 1951.

**TABLE 5. Main Operating Results Items for 1949 and 1951 Compared**

(Items expressed as percentages of net sales)

Item	1949 (20 firms)	1951 (22 firms)
	%	%
Gross profit .....	33.27	33.74
Operating expenses:		
Salaries .....	17.33	18.03
Occupancy .....	4.62	4.27
Advertising .....	1.65	1.13
All other .....	6.68	7.10
Total operating expenses .....	30.28	30.53
Net operating profit .....	2.99	3.21



## CHAIN FURNITURE STORES

The 13 firms, from which reports were received, together operated a total of 69 retail outlets in 1951. A sufficient number of the reporting firms was in-

corporated which permitted the presentation of income tax information by sales-size classification.

### REVIEW OF 1951 OPERATING RESULTS

#### Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of furniture store chains, irrespective of the number of retail outlets, might be compared with a high degree of reliability.

In 1951, furniture store chains obtained an average gross profit of 30.68 per cent of average net sales. The ratios of the smaller and larger sales-

size categories were slightly below and slightly above the average, respectively. Operating expense ratios, totalling 27.22%, reduced the average gross profit to a net operating profit ratio of 3.46% for all firms combined. Firms in the smaller sales-size group experienced a greater than average total operating expense ratio and netted an operating loss of 0.47%. Firms in the larger sales-size category, however, netted an operating profit of 4.46%. In both instances other income and expense increased the profit ratios to 1.86% and 5.19% respectively.

#### Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, decreased from 23.09% at the beginning of the year, to 21.84% at the end of the year. Although this trend was common to the firms of the larger sales-size category, the ratios of the first category showed

an increase from 23.27% to 28.56%. The rate of stock turnover — the average of beginning and ending inventories divided into cost of goods sold — was 3.09 for all firms. The rate increased directly with sales-size from 2.68 to 3.21 for the two respective categories.

TABLE 6. Operating Results of Chain Furniture Stores, 1951, by size of Firm

Item	Firms with 1951 sales of		Total all sizes
	Under \$750,000	\$750,000 and over	
Number of firms .....	7	6	13
Number of stores operated .....	23	41	69
Average net sales per firm .....	389,063	1,767,496	1,025,266
Average cost of goods sold .....	270,414	1,224,411	710,722
Average inventory per firm:			
Beginning of year .....	90,539	407,262	236,720
Per cent of average net sales .....	23.27	23.04	23.09
End of year .....	111,102	355,454	223,880
Per cent of average net sales .....	28.56	20.11	21.84
Stock turnover (times per year) .....	2.68	3.21	3.09
<b>Profit and loss data</b>			
(per cent of net sales)			
<b>Gross profit .....</b>	<b>30.50</b>	<b>30.73</b>	<b>30.68</b>
Operating expenses:			
Salaries:			
executives .....	2.46	1.69	1.85
other employees .....	11.82	10.49	10.77



TABLE 6. Operating Results of Chain Furniture Stores, 1951, by Size of Firm — Concluded

Item	Firms with 1951 sales of		Total all sizes
	Under \$750,000	\$750,000 and over	
Employees' benefits .....	0.09	0.21	0.19
Occupancy .....	4.50	3.11	3.39
Heat, light and power .....	1.03	0.64	0.72
Taxes, licenses .....	0.29	0.22	0.23
Insurance .....	0.24	0.36	0.33
Repairs and maintenance .....	0.46	0.23	0.27
Depreciation .....	0.21	0.49	0.43
Supplies .....	0.52	0.28	0.33
Advertising .....	2.52	3.40	3.22
Travelling .....	0.30	0.17	0.20
Communication .....	0.37	0.21	0.24
Delivery .....	1.75	2.15	2.07
Bad debt loss .....	2.63	0.29	0.76
All other expenses .....	1.78	2.33	2.22
<b>Total operating expenses .....</b>	<b>30.97</b>	<b>26.27</b>	<b>27.22</b>
<b>Net operating profit .....</b>	<b>0.47<sup>1</sup></b>	<b>4.46</b>	<b>3.46</b>
Other income:			
Discounts earned .....	0.12	0.07	0.08
Interest earned .....	0.29	0.21	0.22
Financing charges .....	0.46	0.46	0.46
Bad debts recovered .....	0.03	0.07	0.06
Other .....	1.48	0.08	0.37
<b>Total other income .....</b>	<b>2.38</b>	<b>0.89</b>	<b>1.19</b>
Miscellaneous expense .....	0.05	0.16	0.14
<b>Net profit before income tax deduction .....</b>	<b>1.86</b>	<b>5.19</b>	<b>4.51</b>

1. Operating loss.

## Incorporated Companies

All of the reporting firms classified to the larger sales-size category and most of the smaller firms were incorporated. Therefore, there is no significant difference between the operating ratios of the "all firms" and "incorporated companies" classifications as shown in this section. Net profit before income

tax deduction, expressed as a proportion of the respective net sales, was 4.51% and 4.66% for "all firms" and "incorporated firms" respectively. Income tax reduced the incorporated firms' net profit ratio of 4.66% to 2.45%, a decrease of 47.4%.

TABLE 7. Operating Results of Incorporated Furniture Stores, 1951, by Size of Firm  
(Items expressed as percentages of net sales)

Item	Firms with 1951 sales of		Total all sizes
	Under \$750,000	\$750,000 and over	
	%	%	%
Gross profit .....	30.27	30.73	30.64
Operating expenses .....	30.48	26.27	27.06
Net operating profit .....	0.21 <sup>1</sup>	4.46	3.58
Other income .....	2.62	0.89	1.22
Miscellaneous expense .....	0.01	0.16	0.14
Net profit before income tax deduction .....	2.40	5.19	4.66
Income tax .....	0.70	2.56	2.21
Final net profit .....	1.70	2.63	2.45

1. Operating loss.

## Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for the purpose of comparison. Only 10 firms reported for the 1949 survey, compared to 13 respondents in 1951. The increase in the number of responding firms occurred in the smaller sales-size category, which would have a depressing effect on the 1951 figures with respect to absolute values. Despite the increase in the number of responding firms, there was a decrease in the average number of retail outlets operated and a subsequent decrease in average sales per retail outlet. Although this condition could have occurred because the additional firms were classified to the smaller category, the identical situation occurred in the larger sales-size category. Ratios, however, tend to eliminate the lack of comparability arising from variations in the number of responding firms and total retail outlets operated. Ratios may be used with a high degree of reliability for direct comparison purposes with the results of any one firm, irrespective of the number of retail outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in

average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 showed a decline from the 1949 figure. Therefore, the decrease in the 1951 gross profit ratio indicates that the average gross profit decreased at a greater rate than did average net sales. Conversely, total operating expenses declined less than net sales, which resulted in a narrowing of the 1949 to 1951 profit ratio differential.

TABLE 8. Main Operating Results Items for 1949 and 1951 Compared

(Items expressed as percentages of net sales)

Item	1949 (10 firms) %	1951 (13 firms) %
Gross profit .....	35.11	30.68
Operating expenses:		
Salaries .....	12.11	12.62
Occupancy .....	4.79	3.39
Advertising .....	4.69	3.22
All other .....	9.49	7.99
Total operating expenses .....	31.08	27.22
Net operating profit .....	4.03	3.46











